

Message Text

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ACTION ABF-01

INFO OCT-01 EUR-12 ISO-00 EB-07 A-01 STR-04 COME-00 TRSE-00

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FM AMEMBASSY MADRID

TO AMCONGEN FRANKFURT

SECSTATE WASHDC 7462

INFO AMCONGEN BARCELONA

UNCLAS MADRID 7684

FRANKFURT PASS USGAO

E.O. 11652: N/A

TAGS: AGAO, ETRD, SP

SUBJECT: GAO SURVEY: ALTERNATIVE METHOD OF FINANCING US EXPORTS -
"SWITCH TRADING"

REF: STATE 238089, FRANKFURT 7307

1. AS FAR AS POST CAN DETERMINE FROM LOCAL TRADE AND OFFICIAL SOURCES

,
WHILE THERE MAY BE SOME EXAMPLES OF SWITCH TRADING, THIS IS NOT A
COMMON PRACTICE IN SPAIN NOR ARE THERE ANY FIRMS SPECIALIZED
IN THIS BUSINESS.

2. THE MAIN REASON FOR LITTLE ACTIVITY IN THIS FIELD SEEMS TO BE
THAT ALL SPANISH TRADE WITH COUNTRIES HAVING INCONVERTIBLE
CURRENCIES AND/OR LIMITED FOREIGN EXCHANGE IS CONDUCTED UNDER
BILATERAL TREATIES THAT HAVE COROLLARY ACCOUNTS SETTLEMENT AGREE-
EMENTS. THE GOS IN EFFECT FINANCES ANY TRADE DEFICITS SPANISH
EXPORTS PRODUCE IN SUCH COUNTRIES UNTIL OUTSTANDING BILLS
ARE SETTLED AT PERIODIC MEETINGS.

3. ANOTHER FACTOR CONTRIBUTING TO THE MINOR IMPORTANCE OF SWITCH
TRADING IS THE TIGHT CONTROL EXERCISED BY THE GOS OVER FOREIGN
EXCHANGE. IN THE FEW SWITCH TRADE DEALS THAT DO OCCUR, THE
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TRADER WOULD PROBABLY NOT WANT TO DIVULGE THE DETAILS SINCE

THIS MAY PRESENT PROBLEMS IN OBTAINING FOREIGN EXCHANGE.

4. IN VIEW OF THE FACT THAT THERE IS LITTLE SWITHC TRADING ACTIVITY
IN SPAIN POST DOES NOT BELIEVE GAO SURVEY WOULD BENEFIT
BY VISIT OF GAO REPRESENTATIVE TO MADRID. ON THE OTHER HAND,
POST BELIEVES SPAIN WOULD BE INTERESTING PLACE TO EXAMINE
USE OF BILATERAL TRADE AGREEMENTS TO FINANCE EXPORTS TO
COUNTRIES WITH INCONVERTIBLE CURRENCIES AND/OR LIMITED
FOREIGN EXCHANGE.
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